

and unblemished credit in the world. As regards the remedy (a) the Departments of State themselves showed minor diligence in this respect, and their example neutralised their public precepts; with respect to (b) some measures¹ were tardily introduced though far from effective; as regards (c) the Government adopted action and large masses of American securities (subject to the penalty of increased taxation thereon if this course were not pursued) were sold to the State by British investors at a loss, and appropriated to the partial settlement of our trade account—forming thus an invisible export in part payment of our imports. With reference to (e) British investors were requested to deposit specified securities (such as Canadian stocks) with the Government (in consideration of a small increase of the rate of interest which those securities carried) to be transferred to the United States as security for an extensive advance to England from that country. This deposit, of course, involved a formal power of sale should default in repayment occur; but this power was clearly negligible on our part, since the execution of the right would be coincident with the extinction of Great Britain—with, indeed, the submergence of the civilised world. An Anglo-French Commission was despatched to Washington with the object of raising this loan ; and ultimately, towards the close of September, 1915, the advance to Great Britain and France was concluded, and its amount applied in payment for Allied imports and the consequent rectification of the Exchange to a level approximating to its normal state. The loan was issued to the American public at 98 per cent: the price to the two Allies was nearly 7 per cent per annum, free from British taxation; and the advance was redeemable at par at the expiration of five years. The Bonds were expressed in dollars—the amount being \$ 850,000,000.

It was the general judgment of experts in finance that more satisfactory terms would have been secured had the loan been offered—not to America alone, but—to the entire neutral world (including the United States) with this attractive condition of exemption from British income-tax at the present high rate. And particularly was it justly urged that, contracted, as it was with America, our annual charge for the advance would have proved much lighter had the loan been